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**EDGEWATER MEDICAL CENTER MANAGEMENT FIRMS TO PAY \$2.9 MILLION
IN RESOLVING RELATED CRIMINAL AND CIVIL HEALTH CARE FRAUD CASES**

CHICAGO – Two management firms that ran Edgewater Medical Center during a six-year period of fraud that included doctors lying to patients about their need for hospitalization, admitting hospital patients unnecessarily and performing medically unnecessary procedures, each pleaded guilty to criminal fraud charges and were sentenced today. At the same time, both companies and a third management firm agreed to pay \$2.9 million to settle claims against them in a related civil lawsuit, mirroring the amount of restitution that was ordered in the criminal case. The restitution and settlements funds are slated to be paid by Jan. 22 to the Medicare Trust Fund, as a result of the pervasive fraud that occurred at Edgewater, located at 5700 North Ashland Avenue, Chicago, until it closed its doors and filed for bankruptcy in 2001.

Today's developments were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois, and Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation.

In the criminal case, the two Illinois firms – **Braddock Management L.P.** and its successor, **Bainbridge Management L.P.** – each pleaded guilty to one count of health care fraud before U.S. District Judge Suzanne Conlon in Federal Court in Chicago. They were the only remaining

defendants in a federal criminal prosecution involving the bankrupt hospital, and were scheduled to stand trial beginning Jan. 21. The firms, which had consecutive management contracts with Edgewater beginning in 1995 through May 2001, were each sentenced to one year of probation. Under the terms of written plea agreements, Judge Conlon ordered each to pay restitution in the amount of \$13,644,598; however, because of the firms' inability to pay that amount, the restitution was negotiated to a compromise payment of \$2.9 million, which is to be paid to the trust fund by next week. *United States v. Braddock Management L.P., et al.*, 01 CR 469 (N.D. Ill.)

In the related civil case, a settlement agreement was filed today resolving that part of the case brought by the United States against each of the two criminal defendant limited partnerships, as well as a third entity, Bainbridge Management, Inc., the general partner of both Braddock and Bainbridge. The case is pending before U.S. District Judge John Darrah, and one defendant, Peter Rogan, remains the lone defendant in the civil case. *United States v. Rogan, et al.*, 02 C 3310 (N.D. Ill.)

Rogan, of Valparaiso, Ind., since 1995 was the officer of various corporate entities, including Braddock and Bainbridge, and was the head administrator at Edgewater Hospital for most of the time since then.

Today's guilty pleas by the partnerships are the latest in a series of related conviction previously entered by Edgewater physicians and a vice president at the now-shuttered northside hospital:

- Dr. Andrew Cubria, a cardiologist, admitted performing unnecessary angioplasties and heart catheterizations on more than 750 patients, including two who died as a result of the unnecessary procedures. Dr. Cubria was sentenced to 151 months in prison and ordered to pay \$14,362,499 in restitution;

- Dr. Sheshiqiri Rao Vavilikolanu admitted that he unnecessarily hospitalized 900 patients at Edgewater Hospital. Dr. Rao was sentenced to 35 months in prison and ordered to pay \$6 million in restitution;
- Dr. Kumar Kaliaana admitted receiving kickbacks in return for admitting patients to Edgewater and arranging cash payments to family members and others who recruited patients who did not need hospitalization. Dr. Kumar was sentenced to 16 months in prison and ordered to pay restitution of \$1,156,000;
- Dr. Ravi Barnabas admitted to funneling kickback payments to Drs. Rao and Kumar in exchange for admitting patients to Edgewater. Dr. Barnabas was sentenced to 52 months in prison and ordered to pay restitution of \$100,000;
- Roger Ehmen, Edgewater vice president, admitted his participation in schemes to pay kickbacks to recruit and hospitalize patients unnecessarily. Ehmen was sentenced to 78 months in prison and ordered to pay restitution of \$5 million.

The management contracts that Edgewater had with Braddock and Bainbridge provided that the partnerships would act as exclusive manager of the day-to-day operations of Edgewater, including the supervision of all financial matters. During the time that these management contracts were in effect, Roger Ehmen, who was employed by Braddock and Bainbridge, was responsible for a variety of management duties, including recruiting physicians for the medical staff, signing contracts with physicians, and maintaining and increasing the number of patients admitted to the hospital.

Braddock and Bainbridge admitted today that Edgewater, acting through Ehmen, made kickback payments totaling more than \$1.2 million to Drs. Rao, Kumar, Cubria, Barnabas and others in exchange for patient admissions. The kickbacks were concealed by creating contracts and other mechanisms which created the false impression that the payments were for legitimate services. Doctors and others recruited patients through cash payments or other benefits, coached patients to lie about their physical condition and symptoms, lied to patients about their need for hospitalization,

admitted patients to Edgewater unnecessarily, performed medically unnecessary tests and procedures, created false records to justify claims submitted for payment to Medicare, and submitted cost reports which falsely represented that the services provided to Medicare beneficiaries were done in compliance with the laws and regulations governing the provision of health care services.

In settling the civil lawsuit claims, Bainbridge Management L.P., Braddock Management L.P., and Bainbridge Management, Inc., also agreed that they would be barred from any involvement with Edgewater Medical Center, any successor, or any state or federal healthcare program participant, provider or beneficiary. The three firms also agreed to cooperate with the United States in any continuing legal proceedings. While not admitting any civil liability, the civil settlement provides that the defendants will pay the \$2.9 million agreed restitution in the criminal case. The civil suit, which was filed in May 2002, remains pending and alleges the same health care fraud scheme against Peter Rogan. The case seeks single damages of \$18 million.

The government is represented in the criminal case by Assistant U.S. Attorneys Jacqueline Stern and Kaarina Salovaara, and in the civil case by Assistant U.S. Attorney Linda A. Wawzenski.

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